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**Certified Public Manager Project
2006**

**Disability Determination Services Payment Process
Evidence of Medical Records**

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Introduction

The S. C. Vocational Rehabilitation Department's Disability Determination Services (DDS) division processes Social Security and Supplemental Security Income disability claims under provisions of the Social Security Act to determine a claimant's eligibility to receive benefits. This eligibility is based on assessment of medical and vocational factors by a professional team (disability examiner and state agency medical consultant) to determine whether that applicant meets disability provisions under requirements of the Social Security Act.

As the team carries out its responsibility to evaluate a claimant's medical condition, evidence is gathered from medical providers involved in treating the individual. This evidence includes various types of medical records and physicians' notes relative to the person's disability. Copies of medical records are procured from these providers at a cost ranging from \$10 to \$25 each. Over 80,000 claims are adjudicated each year, and each claim usually generates requests for records from at least three medical providers. In fact, DDS is legally required to examine medical records from all providers who have treated the claimant during the preceding year if that treatment pertains to the person's disability being claimed. This results in potentially 240,000 or more requests for medical records each year. Some providers bill us separately for each record processed, while others utilize copying services which aggregate record requests for multiple claimants.

The purpose of this project is to evaluate the DDS medical records payment process and volume of payments to identify any efficiencies to reduce payment processing costs. We will start by determining what percentage of total payments processed by SC

Vocational Rehabilitation are due to small dollar (< \$100) amounts generated by Disability Determination Services for the purchase of medical records. SCVRD currently processes over 100,000 disbursement payments annually, and we expect to find over 80% of those payments generated by Disability Determination Services. At an estimated cost of \$22.67¹ to process an invoice for payment, we think it prudent to evaluate these types of transactions and determine if there is a more cost effective way to process them.

¹ BearingPoint, SC Enterprise Information System "Business Case Study Report Briefing", March 21, 2003.

Current Disability Determination Payment Process

A claimant applies for disability benefits at the Social Security Administration, SC Retirement System or SC Department of Health and Human Services. Application information is transferred to SC Vocational Rehabilitation Department Disability Determination Services where an examiner reviews the claim and submits requests for medical records to physicians and hospitals involved in the claimant's medical treatment.

This request for medical records serves as authorization for the expenditure. Providers are instructed to mail the records and corresponding bills to the SSA's document control intermediary in London, Kentucky where they are scanned into the Social Security Administration's VERSA system. SSA sends a daily queue listing of all bills scanned to DDS. The bill processing supervisor assigns sections of daily queue listing to her staff. Each bill on the queue is receipted in the DDS VERSA system, medical records are reviewed to ensure they have been received and then bill is "paid". This means bill is approved for payment and forwarded to the SCVRD Finance department for processing via a daily electronic batch process.

Electronic batches of bills are uploaded daily into the SCVRD bill payment system. The Information Technology department notifies DDS that daily batch has been uploaded, and DDS sends paper copies of bills to SCVRD Finance department for payment. The daily batch upload from DDS results in an encumbrance file on the SCVRD finance system. Finance staff, using paper copy of bill, verify and confirm the bills for payment. At the end of each day, Finance processes daily batch of bills from all divisions, which generates a paper voucher for each bill along with an electronic batch file. Paper vouchers and electronic file are delivered to the Comptroller General's office

in Columbia for the actual check processing. The CG's office audits each voucher, enters it into the STARS payment system and processes the disbursement checks. Once checks and remittance advices come back to SCVRD from the CG, they are matched to paper voucher copies retained in Finance. Checks are mailed out, and paid vouchers are filed. The flowchart in Appendix B illustrates the DDS medical records payment process.

Process Evaluation

Evaluation of DDS Medical Records Payment Process (Appendix B)

I interviewed following staff of DDS division to better understand current process: DDS Assistant Director, DDS Regional Supervisor and DDS Section Supervisor. The Section Supervisor walked me through the process, from examiner's request for medical records through the actual receipt of electronic bills and medical records themselves. I observed the following processes in the DDS bill paying unit: bill receipting process from a queue listing, verification of records received, and approval of bill for payment.

Evaluation of Payments Processed by SCVRD for DDS Medical Records

Reviewed data for the last three fiscal years for specific DDS Case Services object codes tracking medical records expenditures (Appendix C):

- 111120 Evidence of Records – Title II Disability Individual Benefits Cases
- 111320 Evidence of Records – Title XVI Supplemental Cases
- 111520 Evidence of Records – Concurrent Title II and Title XVI Cases
- 111620 Evidence of Records – SC Retirement System Cases
- 111720 Evidence of Records – Medicaid Assistance Only Cases

Requested a data query of all vouchers paid by vendor, voucher number and amount during state fiscal years 2003, 2004 and 2005 for each object code above in order to come up with a count of the number of medical records payments processed.

Also requested number of disbursement payments processed for SCVRD and all state agencies from the CG's office for the last five state fiscal years.

Data was stratified by eliminating those vendors for which most payments exceeded \$100. This was to account for those vendors who aggregated bills for multiple claimants.

The following major areas of concern are concluded from the evaluation:

Upon evaluating the current DDS payment process, it appears that the Finance bill verification is an unnecessary step since the bill has been approved at the DDS level and then uploaded into the SCVRD Finance system. There seems to be no value added with Finance verifying the paper bills to what has been uploaded into the system since both come from the same source – DDS. Any inconsistencies should have been detected during the upload process when the error file is generated and resolved. The only reason Finance verifies the bills is to move the unpaid bill into the batch file for daily voucher processing.

Historical payment data reveals that at least 49% of all SCVRD disbursement payments are for medical records in amounts less than \$100, and that percentage appears to be rising. (Appendix C) In addition, medical records expenditures account for only 6% of all SCVRD disbursements excluding payroll. (Appendix D) This means at least half of the costs to process all SCVRD disbursement checks are generated by only 6% of all SCVRD disbursements. Furthermore, the costs to process medical records vouchers are adding at least 68% to total medical records costs. (Appendix E)

Proposed Disability Determination Payment Process

Evaluation of the current payment process within the Disability Determination division has indicated no process improvements. DDS operates within the constraints of the Social Security system, and is handling a large volume of small dollar transactions due to the nature of services provided. The volume seems to preclude establishment of any type of divisional check writing process. If such a process were established, internal controls in place could be compromised.

It seems more reasonable to look for improvements further up the chain at the central SCVRD Finance level. As indicated, one step that could be eliminated is the verification and approval of each bill in Finance. Rather, the DDS payment file should be uploaded and transferred directly to the daily payment file. Internal controls should be in place to ensure proper data transfer. (Appendix F)

It's also worth mentioning that improved efficiencies at the CG level through implementation of SCEIS will improve efficiencies at all agency levels². However, the scale of this project is of such magnitude that sweeping change cannot be expected in the near future. This system would move state government to a paperless environment with standardization of financial systems across all state agencies.

² BearingPoint, SC Enterprise Information System "Business Case Study Report Briefing", March 21, 2003

Implementation Plan

- 1) Present project findings to Assistant Commissioner for Administration, Finance Director and IT Director.
- 2) Meet with Assistant Commissioner, Finance Director and IT Director to determine timeline for making information system changes.
- 3) Plan steps of change in Finance department with Finance Director
- 4) Work through paper document flow with Finance Director – may want special batch designations for DDS vouchers
- 5) Evaluate impact on Finance staff – work with Finance Director in reassignment of Finance DDS bill payer to other functions
- 6) Evaluate process by observing whether normal accounts payable processing is flowing smoothly, and that there are no “paper chases” to match vouchers with bills from DDS.
- 7) Contact CG’s office to see if there is a way to specially designate DDS medical records payment checks.

Summary and Conclusion

This project has evaluated the DDS medical records payment process. We expected to find over 80% of all SCVRD payments generated by DDS for purchase of medical records under \$100. The data confirms up to 66% of payments actually being made for DDS medical records in amounts under \$100. This is significant, and warranted an evaluation of the payment process.

The evaluation revealed that a step of the payment process could be streamlined within SCVRD Finance. We expect this to provide cost savings of one accounts payable position that can be redirected into other initiatives of the Finance department. While the nature of services to claimants for Social Security benefits generates large volumes of payment transactions, it appears that the DDS division has a well organized authorization and approval process with good internal controls in place. An option to process checks locally at the DDS level had been originally considered, but internal controls would be significantly weakened.

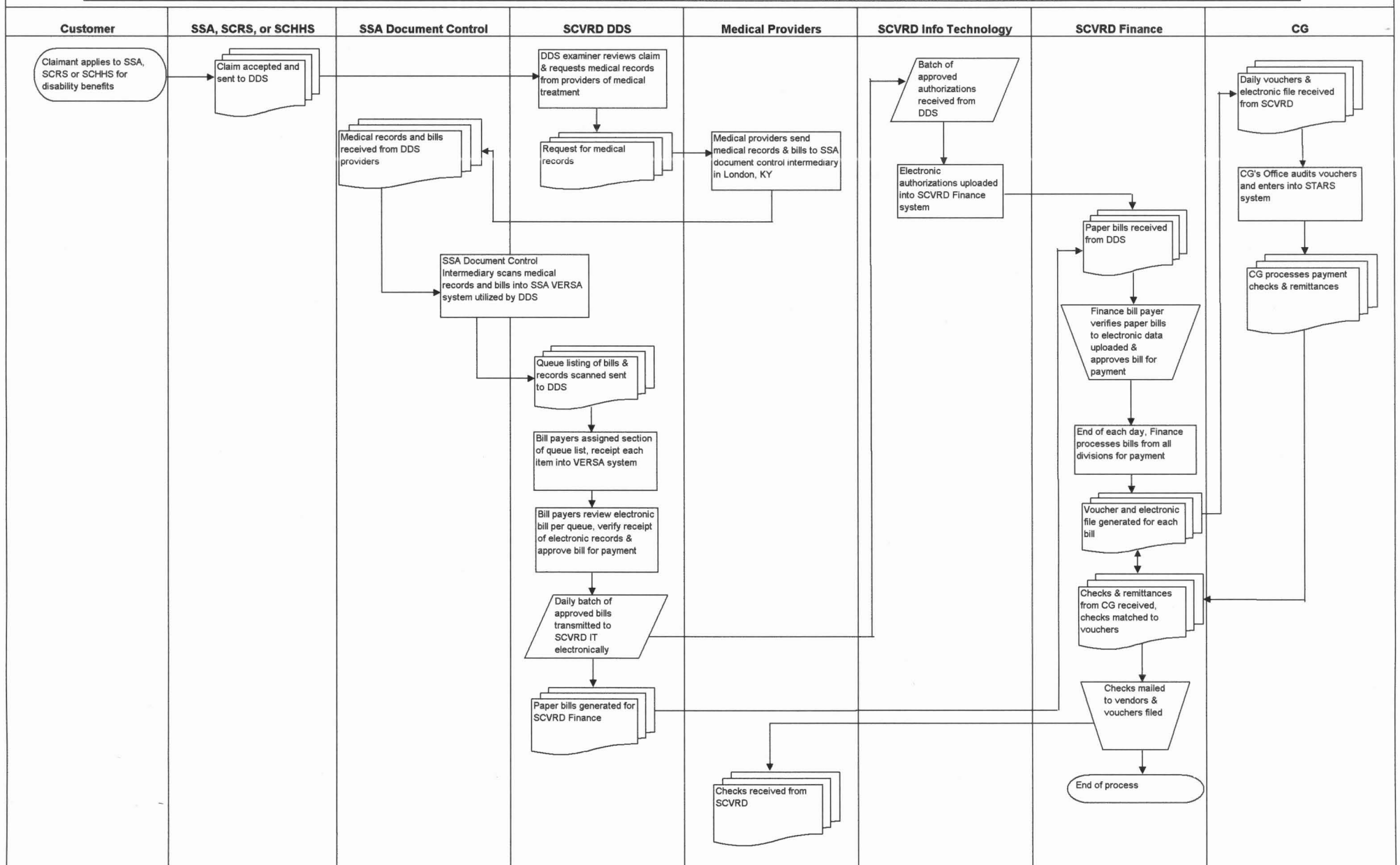
The other statewide project that will impact processing of all payments is the statewide enterprise information system (SCEIS). We expect significant improvements in all financial processes, and therefore are choosing to align any interim upgrades in our processes with those we know will impact our systems through SCEIS. Specifically as SCEIS relates to DDS medical records processing, we expect to see payments for same vendors aggregated for all state agencies, resulting in significant process improvement. Therefore, consideration of any collective processing of vouchers is not within the scope of this project.

Appendix A

Acronyms and Operational Definitions

CG	Comptroller General's Office
Case Services Expenditures	SCVRD expenditures made on behalf of clients served
DDS	Disability Determination Services
Disbursement Checks	Checks processed by the Comptroller General's office in payment to a specific vendor – excludes interagency transactions and payroll
SCEIS	SC Enterprise Information System
SCHHS	SC Health and Human Services
SCRS	SC Retirement Systems
SCVRD	SC Vocational Rehabilitation Department
SFY	State Fiscal Year
SSA	Social Security Administration
STARS	Statewide Accounting and Reporting System
VERSA	Claims database and financial software used by Social Security Administration and DDS

Appendix B **Current DDS Medical Records Payment Process**



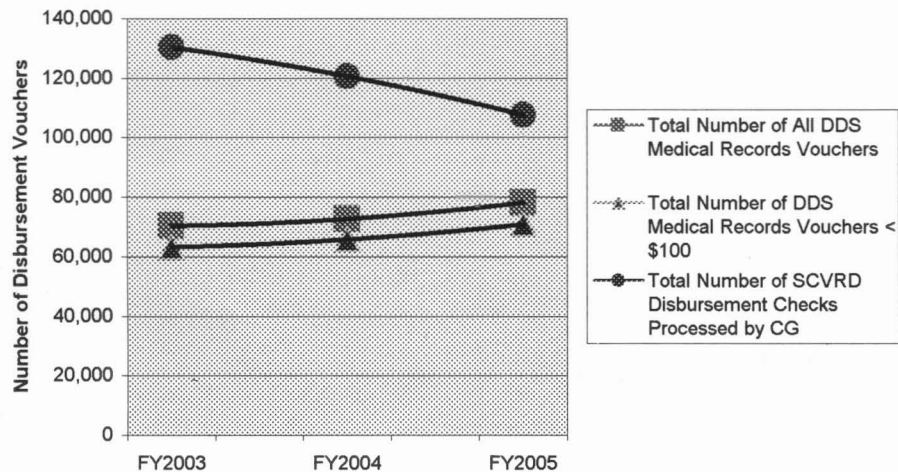
Appendix C

DDS Medical Records Payments Data

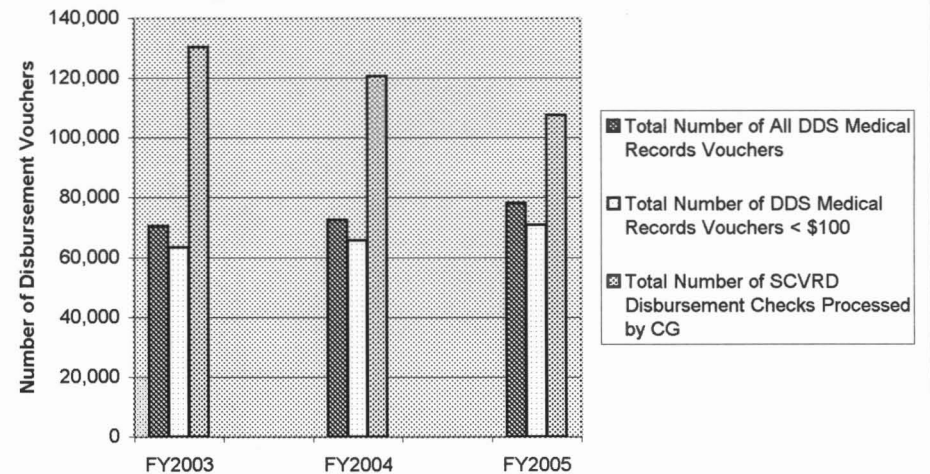
	FY2003	FY2004	FY2005
Total Number of All DDS Medical Records Vouchers	70,354	72,671	78,189
Total Number of DDS Medical Records Vouchers < \$100	63,269	65,795	70,879
Total Number of SCVRD Disbursement Checks Processed by CG	130,424	120,650	107,654
Percentage of DDS Vouchers < \$100 to Total Vouchers	49%	55%	66%

Note: Because of the daily processing of disbursement checks at the CG, there is a 1:1 correlation of vouchers to checks paid.
In other words, for every unique voucher number, there is a unique check number processed.

DDS Medical Records Payments



DDS Medical Records Payments

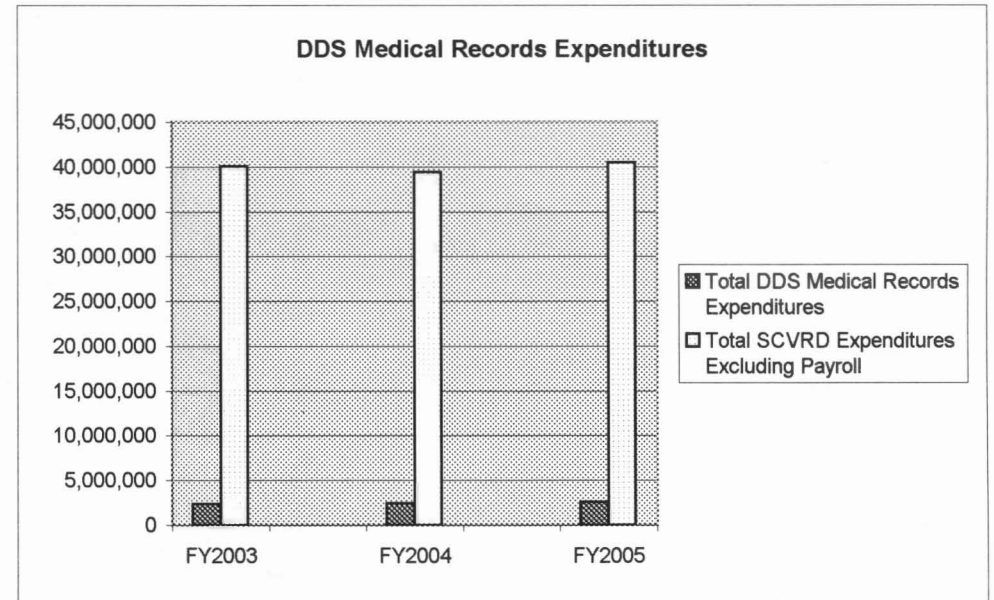
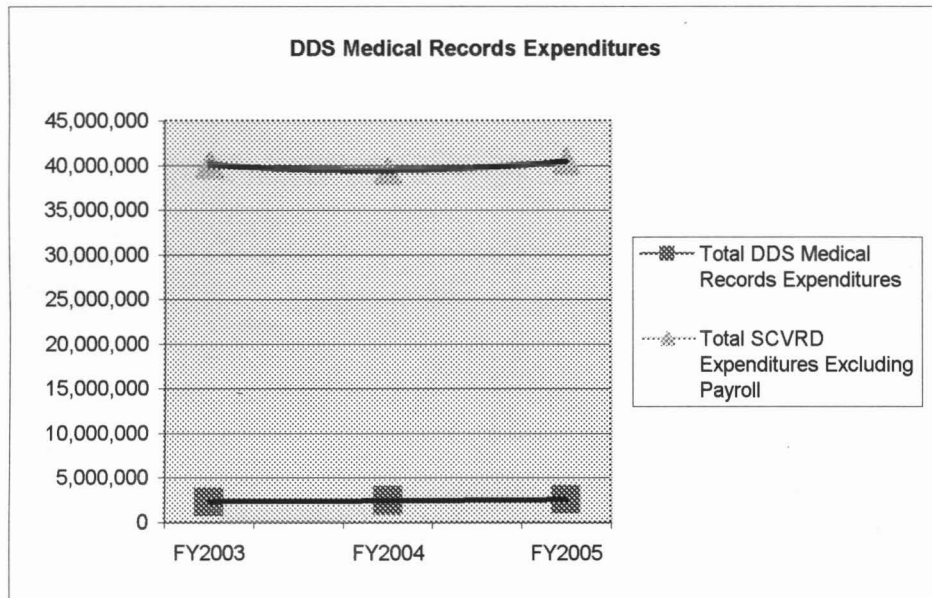


Appendix D

DDS Medical Records Total Expenditures

	FY2003	FY2004	FY2005
Total DDS Medical Records Expenditures	2,333,999	2,425,836	2,571,061
Total SCVRD Expenditures Excluding Payroll	40,087,557	39,420,714	40,454,534
Percentage of Medical Records Expend. to SCVRD Expend. Excluding Payroll	5.82%	6.15%	6.36%

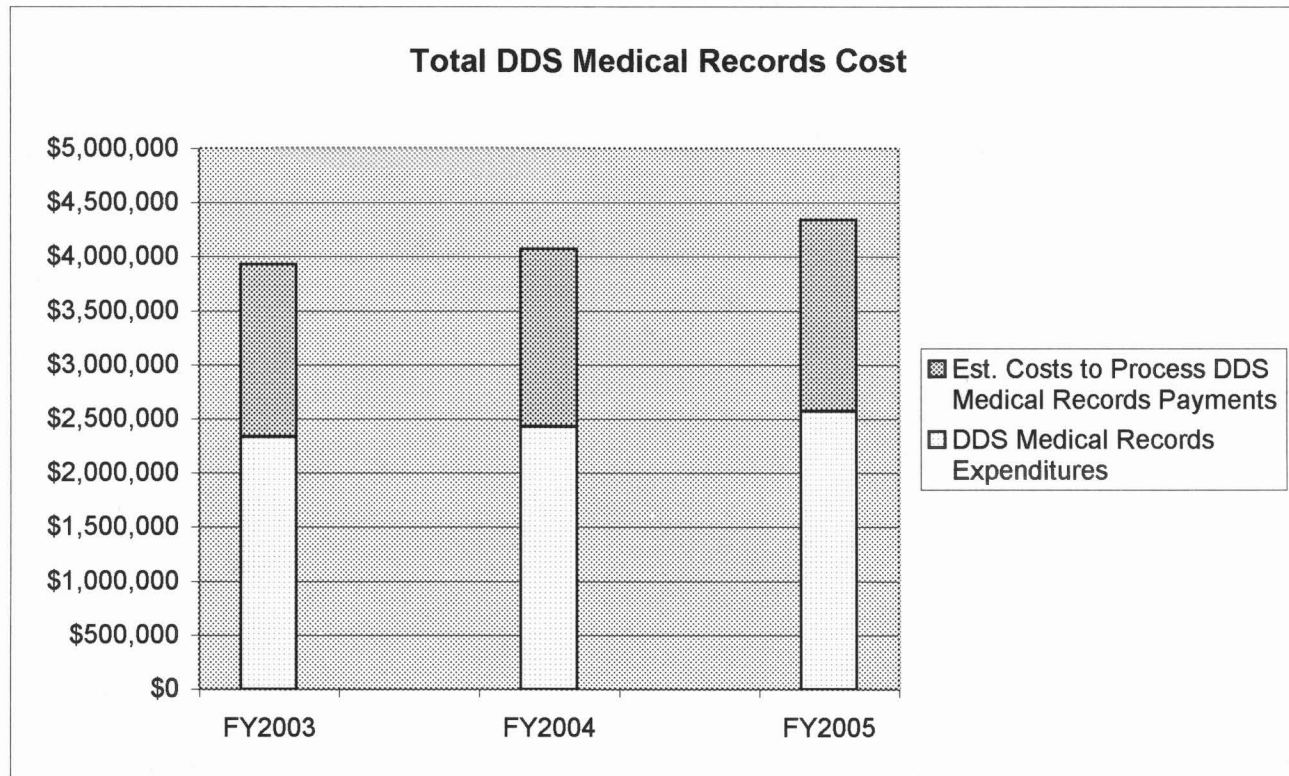
Note: Disbursement payments exclude payroll expenditures; therefore, in the expenditure comparison they are excluded



Appendix E

DDS Medical Records Payments Data

	FY2003	FY2004	FY2005
Total Number of all DDS Medical Records Vouchers	70,354	72,671	78,189
DDS Medical Records Expenditures	\$2,333,999	\$2,425,836	\$2,571,061
Est. Costs to Process DDS Medical Records Payments (Total Medical Records Vouchers X \$22.67)	\$1,594,925	\$1,647,452	\$1,772,545
Percentage of Processing Cost to Expenditures	68%	68%	69%



Appendix F Proposed DDS Medical Records Payment Process

